

WEST DES MOINES WATER WORKS

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY AND OTHER INFORMATION

DECEMBER 31, 2015 and 2014

WEST DES MOINES WATER WORKS

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WEST DES MOINES WATER WORKS

OFFICIALS

December 31, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Philip J. Dorweiler.....	Trustee.....	Resigning effective July 1, 2016
Karen Novak Swalwell.	Trustee.....	Dec 31, 2017
Gretchen H. Tegeler.....	Trustee.....	Dec 31, 2018
Brian P. Rickert.	Trustee.....	Dec 31, 2020
Scott M. Brennan.....	Trustee.....	Dec 31, 2021
Diana J. Wilson.	General Manager/Secretary.....	Indefinite
Paula R. Meyer.....	Finance Manager/Treasurer.	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
West Des Moines Water Works

We have audited the accompanying financial statements of the West Des Moines Water Works, West Des Moines, Iowa, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements which collectively comprise the West Des Moines Water Works' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the West Des Moines Water Works' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the West Des Moines Water Works' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the West Des Moines Water Works, West Des Moines, Iowa, as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, West Des Moines Water Works adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information the Schedule of the West Des Moines Water Works' Proportionate Share of the Net Pension Liability, the Schedule of the West Des Moines Water Works' Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 - 11 and 45 - 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Des Moines Water Works' basic financial statements. The schedule of bond maturities, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of bond maturities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of bond maturities are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 1, 2016, on our consideration of the West Des Moines Water Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting

or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Des Moines Water Works' internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa

June 1, 2016

WEST DES MOINES WATER WORKS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2015

West Des Moines Water Works (Water Works) provides this management's discussion and analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2015. Please consider this information in conjunction with the financial statements and the accompanying notes to the basic financial statements that follow this section.

OVERVIEW OF BUSINESS

The service area of the Water Works has expanded significantly since its governing Board of Trustees was established by election in 1950. The service area is the corporate limits of West Des Moines. The Water Works also provides billing and collection services on a contractual basis to the City of West Des Moines for sanitary sewer usage, storm water management, and solid waste collection.

As the Water Works' service area has expanded, so too has the need for water storage facilities, booster stations and additional treatment capacity to meet peak demand requirements. The most economical approach for the Water Works has involved requiring the land developers to install the water mains according to Water Works specifications after which the Water Works accepts ownership of the water facilities.

The water sources for the Water Works are three wells drilled into the Jordan Aquifer and nineteen wells that draw water from the Raccoon River Alluvial Aquifer. In addition, some West Des Moines water is purchased from the Des Moines Water Works.

Governance of the Water Works is vested in a five-member Board appointed by the Mayor of West Des Moines with approval of the City Council. Trustees serve for six-year staggered terms. The Board has complete control of the Water Works' management, and employs 34 full-time employees.

FINANCIAL HIGHLIGHTS

West Des Moines Water Works' net position increased as a result of operations. At December 31, 2015, total assets and deferred outflows of resources were \$88,427,133 and total liabilities and deferred inflows of resources were \$24,308,501 resulting in net position of \$64,118,632.

Operating revenues decreased 8.0% to \$11,653,650 while operating expenses increased 2.8% to \$10,099,259.

During the year, the Water Works had an operating income of \$1,554,391 and an increase in net position of \$2,072,800.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

MD&A serves as an introduction to the financial statements, and the MD&A represents management's examination and analysis of West Des Moines Water Works' financial condition and performance. The financial statements report information about the utility using full accrual accounting methods as utilized by similar entities in the private sector.

The statements of net position provide information about the Water Works' assets, deferred outflows, liabilities, deferred inflows and net position, thereby measuring the utility's liquidity and solvency. Liquidity is a measure of the Water Works' ability to meet current obligations (those due within one year). Solvency is a similar concept, but measures the ongoing ability to meet obligations over a longer term.

The statement of revenues, expenses, and changes in net position presents the results of the Water Works' revenues and expenses over the course of the year and provides information about the Water Works' recovery of costs. Water rates and other charges are established by the Board of Trustees and are based on Water Works' cost of service.

The statement of cash flows presents cash receipts, cash disbursements, and net changes in cash resulting from operations, capital and related financing activities, and investing activities. This statement details where cash resources come from and how they are used.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of data provided in the statements. The notes supplement the basic financial statements by presenting information about the Water Works' accounting policies, significant account balances and activities, material risks, obligations, and commitments.

In addition to the basic financial statements and accompanying notes, this report also provides certain *required supplementary information*, concerning the West Des Moines Water Works, including progress in funding its obligation to provide retiree healthcare, a budgetary comparison based on the West Des Moines Water Works' legal level of budgetary control, Schedule of West Des Moines Water Works' Proportionate Share of the Net Pension Liability and the Schedule of West Des Moines Water Works' Contributions.

FINANCIAL INFORMATION OF THE WEST DES MOINES WATER WORKS

The following financial information serves as the key financial data and indicators for management, monitoring, and planning.

Summary of Statements of Net Position at Year End

	<u>2015</u>	<u>2014</u>
Current unrestricted assets	\$ 6,517,930	\$ 7,856,024
Current restricted assets	10,361,954	12,611,865
Long term assets	2,785,533	2,281,321
Capital assets, net	68,733,942	65,426,795
Deferred outflows of resources	<u>27,774</u>	<u>200,662</u>
Total assets and deferred outflows of resources	<u>\$ 88,427,133</u>	<u>\$ 88,376,667</u>

	2015	2014
Current liabilities	\$ 6,826,919	\$ 6,601,006
Long term liabilities	15,072,521	16,775,975
Deferred inflows of resources	<u>2,409,061</u>	<u>2,953,854</u>
Total liabilities and deferred inflows of resources	<u>24,308,501</u>	<u>26,330,835</u>
Invested in capital assets, net of related debt	51,812,194	46,329,731
Restricted	8,356,925	9,897,188
Unrestricted	<u>3,949,513</u>	<u>5,818,913</u>
Total net position	<u>64,118,632</u>	<u>62,045,832</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 88,427,133</u>	<u>\$ 88,376,667</u>

Summary of Revenues, Expenses and Changes in Net Position for the Years Ended December 31,

	2015	2014
Water sales	\$ 9,052,362	\$ 8,957,068
Connection fees	692,422	2,050,467
Other sales and services	<u>1,908,866</u>	<u>1,663,564</u>
Total operating revenue	<u>11,653,650</u>	<u>12,671,099</u>
Salaries and benefits	3,597,812	3,639,453
Chemicals and power	834,757	798,772
Purchased water	1,158,843	1,083,829
Insurance	129,289	132,199
Maintenance and supplies	689,257	632,387
Depreciation	2,883,825	2,866,319
Other	<u>805,476</u>	<u>670,989</u>
Total operating expenses	<u>10,099,259</u>	<u>9,823,948</u>
Operating income	<u>1,554,391</u>	<u>2,847,151</u>
Interest income	65,070	31,347
Rental income	141,990	171,864
Interest expense	(422,861)	(475,050)
Other, net	<u>69,093</u>	<u>69,093</u>
Total non-operating revenues (expenses)	<u>(146,708)</u>	<u>(202,746)</u>
Income before capital contributions	1,407,683	2,644,405
Capital contributions	<u>665,117</u>	<u>362,374</u>
Change in net position	<u>2,072,800</u>	<u>3,006,779</u>
Net position, beginning of year	<u>62,045,832</u>	<u>61,007,345</u>
Cumulative effect of a change in accounting principal GASB 68	<u>-</u>	<u>(1,968,292)</u>
Net position, end of year	<u>\$ 64,118,632</u>	<u>\$ 62,045,832</u>

FINANCIAL ANALYSIS

Current assets (not restricted) decreased 17.0% primarily due to a decrease in cash. Water main replacement capital projects and meter replacements were paid using unrestricted cash.

Current liabilities increased 3.4% primarily due to an increase in customer deposits and current portion of long term debt.

Long-term liabilities decreased 0.9% primarily due to a \$2,083,834 decrease in long term water revenue bond debt which was due to bond principal payments made, offset by the addition of net pension liability which is a new reporting requirement.

Water sales in 2015 increased 1.1% compared to 2014.

Connection fees decreased 66.2% due to a decrease in South Area and Southwest Area Connection District Revenue. The 2014 fees billed were unusually high.

Other sales and services increased 14.7% for several reasons, including an increase in the number of water main taps, and water main inspections as development increased in 2015.

Chemical and power expenses increased 4.5% due to an increase in costs.

Purchased water expense increased 6.9% due to a 5% rate increase plus higher quantity of water purchased.

Cost of corporate insurance increased 2.2%.

Maintenance and supplies expense increased 9.0% primarily due to increased maintenance on equipment.

CAPITAL ASSETS

During 2015, net capital assets increased 5.0%. Projects included water main construction and replacement of unlined cast iron water mains.

DEBT ADMINISTRATION

At December 31, 2015, the Water Works had \$14,843,171 in water revenue bonds outstanding, compared to \$16,856,458 at December 31, 2014 as shown below.

Outstanding Debt at Year-End

	<u>2015</u>	<u>2014</u>
Water revenue bonds	\$ 14,843,171	\$ 16,856,458

Debt decreased by \$2,013,287 due to principal payments on all outstanding debt, which were made as scheduled. Moody's assigned an Aa2 rating to the Water Revenue Bonds Series 2013, as well as to the outstanding Water Revenue parity debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees approved an operating budget with a 1.7% expense increase for 2016. Revenue and expense estimates for 2016 are conservative. Water rates were increased by approximately 4% as of January 1, 2016. Water rates are designed to cover the cost of water service to customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of West Des Moines Water Works' finances. If you have any questions or require additional information, please contact the General Manager at 4200 Mills Civic Parkway, Suite 1D, West Des Moines, IA 50265-2049.

WEST DES MOINES WATER WORKS

FINANCIAL STATEMENTS

WEST DES MOINES WATER WORKS

STATEMENTS OF NET POSITION

December 31, 2015 and 2014

	ASSETS	
	2015	2014
CURRENT ASSETS		
Cash	\$ 4,135,444	\$ 3,028,543
Investments	1,185,205	2,840,099
Accounts receivable	934,712	1,730,468
Inventory	180,201	181,032
Unexpired insurance	63,706	65,583
Accrued interest receivable	18,662	10,299
	<u>6,517,930</u>	<u>7,856,024</u>
RESTRICTED ASSETS - CURRENT		
Cash	7,135,284	9,505,201
Investments	2,338,079	2,172,397
Accounts receivable for City of West Des Moines	875,004	918,461
Accounts receivable	13,587	15,806
	<u>10,361,954</u>	<u>12,611,865</u>
Total current assets	<u>16,879,884</u>	<u>20,467,889</u>
LONG TERM ASSETS		
Investments	561,500	904,500
Investments - restricted	1,438,500	595,500
Deposit - Water Revenue Bond Fund	<u>785,533</u>	<u>781,321</u>
Total long term assets	<u>2,785,533</u>	<u>2,281,321</u>
CAPITAL ASSETS		
Land	620,768	620,768
Buildings and structures	27,695,235	26,294,750
Machinery and equipment	11,192,985	10,257,229
Mains and hydrants - constructed by Water Works	29,359,036	27,311,712
Mains and hydrants - contributed by developers	23,487,330	22,822,213
Wells	4,495,373	4,495,373
Meters	3,941,935	3,298,094
Treatment plant capacity - Des Moines Water Works	10,619,125	10,619,125
Construction in progress	<u>1,473,474</u>	<u>1,305,958</u>
	112,885,261	107,025,222
Less accumulated depreciation	<u>(44,151,319)</u>	<u>(41,598,427)</u>
Net capital assets	<u>68,733,942</u>	<u>65,426,795</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>27,774</u>	<u>200,662</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 88,427,133</u>	<u>\$ 88,376,667</u>

See notes to financial statements.

LIABILITIES AND NET POSITION

	2015	2014
CURRENT LIABILITIES		
Accounts payable	\$ 278,381	\$ 243,070
Accrued payroll	77,442	68,158
Accrued vacation	185,833	176,375
Accrued sick leave	27,254	72,068
Accrued sales tax	40,989	41,964
Accrued interest payable	21,971	24,258
Current portion of long-term debt	<u>2,083,834</u>	<u>2,013,287</u>
	<u>2,715,704</u>	<u>2,639,180</u>
 Payable from restricted assets:		
Customer deposits	617,359	563,911
Accounts payable	108,401	91,367
Payable to City of West Des Moines	<u>3,385,455</u>	<u>3,306,548</u>
	<u>4,111,215</u>	<u>3,961,826</u>
 Total current liabilities	<u>6,826,919</u>	<u>6,601,006</u>
 LONG-TERM LIABILITIES		
Revenue Bonds - net of current portion	12,759,337	14,843,171
Accrued sick leave	207,145	162,331
Other post employment benefits	244,536	209,354
Net pension liability	<u>1,861,503</u>	<u>1,561,119</u>
Total long-term liabilities	<u>15,072,521</u>	<u>16,775,975</u>
 DEFERRED INFLOWS OF RESOURCES		
Deposit - shared water tower	226,247	221,038
Unearned revenue	1,618,733	1,659,201
Bond premium	396,686	465,780
Pension related deferred inflows	<u>167,395</u>	<u>607,835</u>
Total deferred inflows of resources	<u>2,409,061</u>	<u>2,953,854</u>
 Total liabilities and deferred inflows of resources	<u>24,308,501</u>	<u>26,330,835</u>
 NET POSITION		
Invested in capital assets, net of related debt	51,812,194	46,329,731
Restricted for debt service	2,234,851	2,235,472
Restricted for capital improvements	6,122,074	7,661,716
Unrestricted	<u>3,949,513</u>	<u>5,818,913</u>
Total net position	<u>64,118,632</u>	<u>62,045,832</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 88,427,133</u>	<u>\$ 88,376,667</u>

WEST DES MOINES WATER WORKS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Sale of water	\$ 9,052,362	\$ 8,957,068
Basic service charge	1,180,145	1,128,111
Connection fees	692,422	2,050,467
EPA grant	193,813	19,037
Labor charges	46,201	38,907
Sanitary sewer service collection fees	51,683	50,481
Solid waste service collection fees	47,435	46,957
Stormwater service collection fees	72,712	70,946
Late and non-payment charges	100,818	92,439
Sale of materials	100,165	79,179
Shared water tower revenue	40,468	40,468
Miscellaneous	75,426	97,039
Total operating revenues	<u>11,653,650</u>	<u>12,671,099</u>
OPERATING EXPENSES		
Salaries	2,660,582	2,663,673
Retirement and employee benefits	937,230	975,780
Utilities	446,215	416,061
Chemicals	388,542	382,711
Purchased water	1,158,843	1,083,829
Maintenance	638,419	556,096
Lime residuals removal	172,176	112,684
Operation permit and water quality testing fees	21,214	21,562
Professional and consulting fees	73,692	97,804
Insurance	129,289	132,199
Supplies	50,838	76,291
Postage	86,123	81,070
Printing	41,706	40,419
Legal publications, memberships	48,533	30,468
Data processing	83,291	69,409
Bad debts	4,183	4,828
Lock box charges	48,060	46,312
Communications	24,172	21,202
Depreciation	2,883,825	2,866,319
Cost of material sold	69,024	74,415
Economic development expense	50,000	50,000
Miscellaneous	83,302	20,816
Total operating expenses	<u>10,099,259</u>	<u>9,823,948</u>
OPERATING INCOME	1,554,391	2,847,151

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
NON-OPERATING REVENUES		
Interest	\$ 65,070	\$ 31,347
Bond premium	69,093	69,093
Rental	<u>141,990</u>	<u>171,864</u>
Total non-operating revenues	276,153	272,304
NON-OPERATING EXPENSES		
Interest	<u>422,861</u>	<u>475,050</u>
Total non-operating expenses	<u>422,861</u>	<u>475,050</u>
Income before capital contributions	1,407,683	2,644,405
CAPITAL CONTRIBUTIONS	<u>665,117</u>	<u>362,374</u>
CHANGE IN NET POSITION	2,072,800	3,006,779
NET POSITION AT BEGINNING OF YEAR	62,045,832	61,007,345
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPAL GASB 68	<u>-</u>	<u>(1,968,292)</u>
NET POSITION AT END OF YEAR	<u>\$ 64,118,632</u>	<u>\$ 62,045,832</u>

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 12,495,912	\$ 11,635,556
Cash payments for goods and services	(4,361,025)	(4,197,315)
Cash payments to employees	<u>(2,641,841)</u>	<u>(2,638,444)</u>
Net cash provided by operating activities	<u>5,493,046</u>	<u>4,799,797</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(5,508,820)	(2,181,587)
Deposits - shared water tower	5,209	4,308
Principal paid on revenue bonds	(2,013,287)	(1,961,577)
Water revenue bond fund deposit	(4,212)	(1,809)
Interest paid	<u>(422,861)</u>	<u>(475,050)</u>
Net cash (used) by capital and financing activities	<u>(7,943,971)</u>	<u>(4,615,715)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	56,706	29,063
Certificate of deposits redeemed	5,000,000	4,200,000
Rental income	141,990	171,864
Certificate of deposits purchased	<u>(3,500,000)</u>	<u>(6,200,000)</u>
Net cash provided (used) by investing activities	<u>1,698,696</u>	<u>(1,799,073)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(752,229)	(1,614,991)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>12,546,241</u>	<u>14,161,232</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 11,794,012</u>	<u>\$ 12,546,241</u>

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 1,554,391	\$ 2,847,151
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,883,825	2,866,319
Decrease (increase) in assets:		
Accounts receivable	841,431	(933,088)
Inventory	831	(102,455)
Unexpired insurance	1,877	1,033
Net pension liability and related deferred outflows and deferred inflows of resources	32,832	-
Increase (decrease) in liabilities:		
Customer deposits	53,448	59,881
Accounts payable	71,462	(15,309)
Accrued payroll	9,283	6,616
Accrued vacation	9,458	18,613
Accrued sick leave	-	16,491
Other post employment benefits	35,182	34,063
Accrued sales tax	<u>(974)</u>	<u>482</u>
Total adjustments	<u>3,938,655</u>	<u>1,952,646</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,493,046</u>	<u>\$ 4,799,797</u>
Schedule of noncash capital and related financing - Contributions of water mains from contractors for construction, and equipment contributions.	\$ 665,117	\$ 362,374

See notes to financial statements.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The West Des Moines Water Works was established by the City of West Des Moines, Iowa to supply water to the City and its inhabitants. Since November 7, 1950, the Water Works has been under the management and control of a Board of Trustees and the accounts of the Water Works are maintained separately from those of the City of West Des Moines, Iowa. The Code of Iowa, Chapter 388, states that the Board of Trustees has the oversight responsibility for the management and control of the Water Works.

Water Works is exempt from federal income tax pursuant to Internal Revenue Code Section 115 which provides for exemption of divisions of state and local governments.

B. Fund Accounting

The accounts of the Water Works are organized on the basis of funds or groups of accounts. Each fund or group of accounts is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of accounts for cash and investment balances, receipts and disbursements. A description of each of the existing funds is set forth as follows:

Water Revenue Fund

The Water Revenue Fund is the general operating fund of the Water Works. This fund is used to account for the utility services which are financed and operated primarily from user charges to the general public.

Bond Retirement Fund

The Bond Retirement Fund is used to provide and account for principal and interest payments on the water revenue bonds issued.

Trust Fund

The Trust Fund has been established to account for deposits received from customers.

C. Cash

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid with maturities of three months or less are considered to be cash equivalents.

D. Investments

The cash balances of the Water Works are pooled and invested. Investments are stated at cost, which approximates market value. Interest is recorded in the fund owning the investment and transferred to the Water Revenue Fund. In order to obtain a high rate of return, some investments are pooled.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Accounts Receivable

Accounts receivable and revenues are recorded at the time that service is billed. Unbilled revenues for service consumed between periodic scheduled billing dates are not considered to have a material effect on the financial statements.

F. Inventories

Proprietary fund type inventories of materials and supplies are valued at the lower of cost (average cost) or market.

G. Capital Assets

Property, plant and equipment are stated at cost or at the value of the contributions to the Water Works for mains and hydrants by developers. Depreciation is computed on a straight-line basis over estimated useful lives of five to fifty years.

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments are capitalized.

The cost and related accumulated depreciation on property, plant and equipment sold or retired are eliminated from the accounts at the time of sale or retirement and the resulting gain or loss is reflected in operations.

H. Budget

In accordance with the Code of Iowa, the Water Works adopted a budget based upon anticipated expenditures by line item for operations. The budget was prepared on an accrual basis which is consistent with generally accepted accounting principles.

I. Sanitary Sewer, Solid Waste, and Stormwater Management Service

The West Des Moines Water Works bills and collects sanitary sewer service charges, solid waste charges, and stormwater management fees in accordance with the city ordinances for the City of West Des Moines, Iowa.

Remittances are due to the City within seventy-five days after the end of each billing period. The West Des Moines Water Works is reimbursed for a portion of the expense of billing and collecting the sanitary sewer service, solid waste charges, and stormwater management fees at rates agreed upon by the City of West Des Moines and West Des Moines Water Works.

J. Basis of Accounting

The Proprietary fund types are reported using the accrual basis of accounting. Their revenues are recognized when earned and expenses are recognized when incurred.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Basis of Accounting - Continued

Operating revenues and expenses: Operating revenues include revenues resulting from the sale of water and related services. Operating expenses include expenses for water treatment, distribution, depreciation, customer accounts, customer service and informational, sales, administrative and general. Nonoperating revenues and expenses include those derived from capital and related financing activities, noncapital financing activities, and investing activities. Revenues from the sale of water are based on billing rates, which are applied to customer's consumption of water.

The financial statements of the Water Works are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Standards and Interpretations), constitutes GAAP for governmental units.

K. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in the financial statements. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Water Works' policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position, of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, unearned revenue, unamortized portion of bond premiums and deposit on shared water tower.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The West Des Moines Water Works' deposits in financial institutions as of December 31, 2015 and through the year are covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C, Code of Iowa. This Chapter provides additional assessments against the depositories to ensure that there is no loss of public funds.

As of December 31, 2015, \$500,000 was invested in one fourteen month certificate of deposit at Veridian Credit Union. The amount of this deposit in excess of \$250,000 was collateralized with a letter of credit held by the Water Works in the amount of 110% or \$275,000.

The West Des Moines Water Works' investments are categorized to give an indication of the level of risk assumed by the Water Works at year's end. The West Des Moines Water Works' investments are all category 1, which means that the investments are insured or registered or the securities are held by the West Des Moines Water Works or its agent in the name of the West Des Moines Water Works.

As of December 31, 2015 and 2014 all monies of the West Des Moines Water Works were invested in lawful depositories of the Water Works.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

The West Des Moines Water Works' cash, cash equivalents and investments at December 31, 2015 and 2014 are as follows:

<u>Cash, Cash Equivalents and Investments</u>	<u>2015</u>	<u>2014</u>
Cash	\$ 11,270,728	\$ 12,533,745
Iowa Public Agency Investment Trust	<u>523,284</u>	<u>12,496</u>
Total Cash and Cash Equivalents	<u>11,794,012</u>	<u>12,546,241</u>
 Certificates of Deposit	 <u>5,000,000</u>	 <u>6,500,000</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 16,794,012</u>	<u>\$ 19,046,241</u>

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the West Des Moines Water Work's investment policy, the Water Works minimizes the market value risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Information about the sensitivity of the fair values of the Water Work's investments to market interest risk fluctuations is provided by the following table that shows the distribution of the Water Work's investments:

<u>Investment Type</u>	<u>Fair Value</u>
Iowa Public Agency Investment Trust	\$ <u>523,284</u>

The Water Works invests in the Iowa Public Agency Investment Trust which is a 2a-7 like pool established under the Investment Company Act of 1940 and other debt securities. The Iowa Public Agency Investment Trust is a common law trust established under Iowa Code law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The West Des Moines Water Works has no investments meeting the disclosure requirement of Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015 was as follows:

	<u>Balance 1/01/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/15</u>
Capital assets not being depreciated:				
Land	\$ 620,768	\$ -	\$ -	\$ 620,768
Construction in progress	<u>1,305,958</u>	<u>167,516</u>	<u>-</u>	<u>1,473,474</u>
Total capital assets not being depreciated	<u>1,926,726</u>	<u>167,516</u>	<u>-</u>	<u>2,094,242</u>
Capital assets being depreciated:				
Buildings and structures	26,294,750	1,400,485	-	27,695,235
Machinery and equipment	10,257,229	972,820	(37,064)	11,192,985
Mains and hydrants	27,311,712	2,047,324	-	29,359,036
Mains and hydrants - developers	22,822,213	665,117	-	23,487,330
Wells	4,495,373	-	-	4,495,373
Meters in service	3,298,094	937,710	(293,869)	3,941,935
DMWW plant capacity 5.0 MG	5,000,000	-	-	5,000,000
DMWW plant capacity 1.323 MG	1,819,125	-	-	1,819,125
DMWW plant capacity 2 MG	<u>3,800,000</u>	<u>-</u>	<u>-</u>	<u>3,800,000</u>
Total capital assets being depreciated	<u>105,098,496</u>	<u>6,023,456</u>	<u>(330,933)</u>	<u>110,791,019</u>
Less accumulated depreciation for:				
Buildings and structures	9,192,177	575,164	-	9,767,341
Machinery and equipment	8,377,190	573,597	(37,063)	8,913,724
Mains and hydrants	7,494,635	577,037	-	8,071,672
Mains and hydrants - developers	8,795,127	470,005	-	9,265,132
Wells	2,496,083	125,612	-	2,621,695
Meters in service	1,510,033	296,932	(293,870)	1,513,095
DMWW plant capacity 5.0 MG	2,218,750	125,000	-	2,343,750
DMWW plant capacity 1.323 MG	659,432	45,478	-	704,910
DMWW plant capacity 2 MG	<u>855,000</u>	<u>95,000</u>	<u>-</u>	<u>950,000</u>
Total accumulated depreciation	<u>41,598,427</u>	<u>2,883,825</u>	<u>(330,933)</u>	<u>44,151,319</u>
Total capital assets being depreciated, net	<u>63,500,069</u>	<u>3,139,631</u>	<u>-</u>	<u>66,639,700</u>
Net capital assets	<u>\$ 65,426,795</u>	<u>\$ 3,307,147</u>	<u>\$ -</u>	<u>\$ 68,733,942</u>

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 3 - CAPITAL ASSETS - CONTINUED

Capital assets activity for the year ended December 31, 2014 was as follows:

	<u>Balance 1/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/14</u>
Capital assets not being depreciated:				
Land	\$ 620,768	\$ -	\$ -	\$ 620,768
Construction in progress	<u>71,369</u>	<u>1,234,589</u>	<u>-</u>	<u>1,305,958</u>
Total capital assets not being depreciated	<u>692,137</u>	<u>1,234,589</u>	<u>-</u>	<u>1,926,726</u>
Capital assets being depreciated:				
Buildings and structures	26,294,750	-	-	26,294,750
Machinery and equipment	10,183,878	244,112	(170,761)	10,257,229
Mains and hydrants	27,197,927	113,785	-	27,311,712
Mains and hydrants - developers	22,459,839	362,374	-	22,822,213
Wells	4,495,373	-	-	4,495,373
Meters in service	2,871,093	582,867	(155,866)	3,298,094
DMWW plant capacity 5.0 MG	5,000,000	-	-	5,000,000
DMWW plant capacity 1.323 MG	1,819,125	-	-	1,819,125
DMWW plant capacity 2 MG	<u>3,800,000</u>	<u>-</u>	<u>-</u>	<u>3,800,000</u>
Total capital assets being depreciated	<u>104,121,985</u>	<u>1,303,138</u>	<u>(326,627)</u>	<u>105,098,496</u>
Less accumulated depreciation for:				
Buildings and structures	8,624,015	568,162	-	9,192,177
Machinery and equipment	7,804,565	743,386	(170,761)	8,377,190
Mains and hydrants	6,950,418	544,217	-	7,494,635
Mains and hydrants - developers	8,346,133	448,994	-	8,795,127
Wells	2,381,417	114,666	-	2,496,083
Meters in service	1,484,483	181,416	(155,866)	1,510,033
DMWW plant capacity 5.0 MG	2,093,750	125,000	-	2,218,750
DMWW plant capacity 1.323 MG	613,954	45,478	-	659,432
DMWW plant capacity 2 MG	<u>760,000</u>	<u>95,000</u>	<u>-</u>	<u>855,000</u>
Total accumulated depreciation	<u>39,058,735</u>	<u>2,866,319</u>	<u>(326,627)</u>	<u>41,598,427</u>
Total capital assets being depreciated, net	<u>65,063,250</u>	<u>(1,563,181)</u>	<u>-</u>	<u>63,500,069</u>
Net capital assets	<u>\$ 65,755,387</u>	<u>\$ (328,592)</u>	<u>\$ -</u>	<u>\$ 65,426,795</u>

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 4 - LONG TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended December 31, 2015 is as follows:

	Balance 1/01/2015	Increases	Decreases	Balance 12/31/2015	Due Within One Year
Water Revenue Bonds	\$ 16,856,458	\$ -	\$ (2,013,287)	\$ 14,843,171	\$ 2,083,834
Sick Pay Liability	234,399	-	-	234,399	27,254
Net OPEB Liability	209,354	35,182	-	244,536	-
Net Pension Liability	1,561,119	300,384		1,861,503	
Total	<u>\$ 18,861,330</u>	<u>\$ 335,566</u>	<u>\$ (2,013,287)</u>	<u>\$ 17,183,609</u>	<u>\$ 2,111,088</u>

A summary of the changes in long-term liabilities for the year ended December 31, 2014 is as follows:

	Balance 1/01/2014	Increases	Decreases	Balance 12/31/2014	Due Within One Year
Water Revenue Bonds	\$ 18,818,035	\$ -	\$ (1,961,577)	\$ 16,856,458	\$ 2,013,287
Sick Pay Liability	217,908	16,491	-	234,399	72,068
Net OPEB Liability	175,291	34,063	-	209,354	-
Net Pension Liability	-	1,561,119	-	1,561,119	-
Total	<u>\$ 19,211,234</u>	<u>\$ 1,611,673</u>	<u>\$ (1,961,577)</u>	<u>\$ 18,861,330</u>	<u>\$ 2,085,355</u>

PURCHASE OF WATER TREATMENT PLANT CAPACITY:

A. The West Des Moines Water Works entered into agreements with the Des Moines Water Works for the purchase of five million gallons per day, and 1.323 million gallons per day of water treatment plant capacity in two separate purchases. Per the Water Treatment Plant Purchased Capacity Master Agreement dated July 23, 1996, the West Des Moines Water Works' proportionate share of the Des Moines Water Works Bonds Series 1997 issued by the Des Moines Water Works were \$5,640,000 and \$1,819,125 respectively.

Series 1997 bonds have been replaced by the Refunding Water Revenue Bonds Series 2004B, which have now been replaced by the Refunding Water Revenue Bonds Series 2011. The interest rate on the 2011 bonds is a flat 3% from now through maturity.

B. The West Des Moines Water Works entered into the Wholesale Water Service Master Agreement with the Des Moines Water Works on June 13, 2005, agreeing to purchase an additional two million gallons per day of water treatment plant capacity. West Des Moines Water Works' proportionate share in the Des Moines Water Works 2006 Water Revenue Bonds was \$4,105,000. Series 2006 bonds have been replaced by the Refunding Water Revenue Bonds Series 2012. The interest rate is a flat 3% from now through maturity.

PLANT AND DISTRIBUTION CAPITAL IMPROVEMENTS:

The Series 2004 Water Revenue Refunding Bonds were issued by the West Des Moines Water Works, under resolutions of the Board of Trustees of the Water Works. The balance of the 2004 Water Revenue Refunding Bonds in the amount of \$2,795,000 was paid out of the 2012 Water Revenue Bonds. Additionally, the 2012 bonds were used to expand the system infrastructure to new areas in the City of West Des Moines. Series 1998A and 1998B were redeemed by the 2007 Water Revenue Refunding bonds on June 1, 2007. The balance of the 2007 Water Revenue Refunding Bonds in the amount of \$4,575,000 was paid out of the 2014 Water Revenue Bonds. Additionally, the 2013 bonds are being used to expand the system infrastructure.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Interest is payable on the first day of June and December.

Bonds and interest are payable from the future net earnings of the Water Works and the net earnings of the Water Works are pledged to the payment of the bonds and interest.

The required amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding Bonds and Parity Bonds plus 1/12th of the installment of principal coming due on such Bonds on the next succeeding principal payment date until the full amount of such installment is on hand. The balance at December 31, 2015 and 2014 is \$118,221 and \$118,842, respectively.

The Bond Resolution requires that the Debt Service Reserve Fund be maintained in an amount equal to at least the lesser of the maximum annual debt service on the Bonds and the Parity Bonds, or 10% of the stated principal amount of the Bonds and Parity Bonds. The balance at December 31, 2015 and 2014 is at the maximum of \$1,408,500 and \$1,408,500, respectively.

In the Future Capital Outlay Fund, the minimum amount to be deposited in the Fund each month shall be \$30,000; provided, however, that when the amount in said fund shall equal or exceed \$750,000, no further monthly deposits need be made into the Fund except to maintain it at such level. The balance at December 31, 2015 and 2014 is \$5,893,840 and \$5,899,100, respectively.

Changes in long-term water revenue bonds for the year ended December 31, 2015 are as follows:

	Balance 01-01-2015	Decreases	Balance 12-31-2015	Due Within One Year
Water Revenue Bonds				
Series 2012 Water Revenue Bonds	\$ 6,235,000	\$ (695,000)	\$ 5,540,000	\$ 740,000
Series 2013 Water Revenue Bonds	6,080,000	(440,000)	5,640,000	415,000
Series 2011 (DMWW 6.323 MG)	1,787,657	(675,951)	1,111,706	703,584
Series 2012 (DMWW-2MG)	<u>2,753,801</u>	<u>(202,336)</u>	<u>2,551,465</u>	<u>225,250</u>
Totals	<u>\$ 16,856,458</u>	<u>\$ (2,013,287)</u>	<u>\$14,843,171</u>	<u>\$ 2,083,834</u>

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Details of the revenue bonds payable at December 31, 2015 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2015
Series 2012	10/23/12	3.0 - 3.0%	12/01/23	\$25,000-\$1,000,000	\$7,570,000	\$ 5,540,000
Series 2012	12/02/13	1.5 - 2.3%	12/01/21	\$435,000-\$1,780,000	6,515,000	5,640,000
Series 2011 (DMWW)	02/23/11	3.0 - 3.0%	12/01/17	\$408,122-\$703,584	4,357,547	1,111,706
Series 2012 (DMWW)	10/30/12	3.0 - 3.0%	12/01/25	\$180,005-\$294,823	3,132,119	<u>2,551,465</u>
Total						<u>\$14,843,171</u>

A summary of the annual revenue bonds principal and interest requirements to maturity as of December 31, 2015 is as follows:

Year Ending Dec. 31,	Principal	Interest	Total
2016	\$ 2,083,834	\$ 373,545	\$ 2,457,379
2017	2,072,548	317,254	2,389,802
2018	2,053,718	276,079	2,329,797
2019	1,777,003	241,167	2,018,170
2020	1,866,782	195,557	2,062,339
2021-2025	<u>4,989,286</u>	<u>308,628</u>	<u>5,297,914</u>
Totals	<u>\$ 14,843,171</u>	<u>\$ 1,712,230</u>	<u>\$ 16,555,401</u>

Changes in long-term obligations for the year ended December 31, 2014 are as follows:

	Balance 01-01-2014	Decreases	Balance 12-31-2014	Due Within One Year
Water Revenue Bonds				
Series 2012 Water Revenue Bonds	\$ 6,905,000	\$ (670,000)	\$ 6,235,000	\$ 695,000
Series 2013 Water Revenue Bonds	6,515,000	(435,000)	6,080,000	440,000
Series 2011 (DMWW 6.323 MG)	2,450,854	(663,197)	1,787,657	675,951
Series 2012 (DMWW-2MG)	<u>2,947,181</u>	<u>(193,380)</u>	<u>2,753,801</u>	<u>202,336</u>
Totals	<u>\$ 18,818,035</u>	<u>\$ (1,961,577)</u>	<u>\$16,856,458</u>	<u>\$ 2,013,287</u>

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Details of the revenue bonds payable at December 31, 2014 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2015
Series 2012	10/23/12	3.0 - 3.0%	12/01/23	\$25,000-\$1,000,000	\$7,570,000	\$ 6,235,000
Series 2013	12/02/13	1.5 - 2.3%	12/01/21	\$435,000-\$1,780,000	6,515,000	6,080,000
Series 2011 (DMWW)	02/23/11	3.0 - 3.0%	12/01/17	\$408,122-\$703,584	4,357,547	1,787,657
Series 2012 (DMWW)	10/30/12	3.0 - 3.0%	12/01/25	\$180,005-\$294,823	3,132,119	2,753,801
Total						<u>\$16,856,458</u>

A summary of the annual revenue bonds principal and interest requirements to maturity as of December 31, 2014 is as follows:

Year Ending Dec. 31,	Principal	Interest	Total
2015	\$ 2,013,287	\$ 427,344	\$ 2,440,631
2016	2,083,834	373,545	2,457,379
2017	2,072,548	317,254	2,389,802
2018	2,053,718	276,079	2,329,797
2019	1,777,003	241,167	2,018,170
2020-2024	6,676,063	498,785	7,174,848
2025	<u>180,005</u>	<u>5,400</u>	<u>185,405</u>
Totals	<u>\$16,856,458</u>	<u>\$ 2,139,574</u>	<u>\$18,996,032</u>

NOTE 5 - RESTRICTED ASSETS

The West Des Moines Water Works' restricted assets are composed of customer deposits, deposits on bond issuance, funds restricted for capital improvements and collections for sanitary sewer service, solid waste service, stormwater management fees, and human services donations for the City of West Des Moines.

NOTE 6 - PENSION AND RETIREMENT BENEFITS

Plan Description - IPERS membership is mandatory for employees of the Water Works, except for those covered by another retirement system. Employees of the Water Works are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 6 - PENSION AND RETIREMENT BENEFITS - CONTINUED

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Water Works contributed 8.93 percent for a total rate of 14.88 percent.

The Water Works' contributions to IPERS for the year ended December 31, 2015 were \$228,449.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 6 - PENSION AND RETIREMENT BENEFITS - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2015, the Water Works reported a liability of \$1,861,503 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the Water Works' collective proportion was 0.0376786 percent, which was a decrease of 0.001685 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Water Works recognized pension expense of \$261,281. At December 31, 2015, the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Beginning balance 1/1/15	\$ 200,662	\$ (607,835)
Difference between expected and actual experience	11,159	-
Changes of assumptions	(17,644)	-
Net difference between projected and actual earnings on pension plan investments	-	440,440
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	(48,628)	-
Contributions 7/1/14 - 6/30/15	(230,512)	-
Water Works contributions subsequent to the measurement date 7/1/15 - 12/31/15	<u>112,737</u>	<u>-</u>
Total	<u>\$ 27,774</u>	<u>\$ (167,395)</u>

\$112,737 reported as deferred outflows of resources related to pensions resulting from the Water Works contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 6 - PENSION AND RETIREMENT BENEFITS - CONTINUED

Year Ending Dec. 31,	Total
2016	\$ 47,977
2017	47,977
2018	47,977
2019	47,977
2020	47,977
2021	12,473
	<u>\$ 252,358</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 and 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 6 - PENSION AND RETIREMENT BENEFITS - CONTINUED

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	24%	6.29
Non US Equity	16	6.75
Private Equity	11	11.32
Real Estate	8	3.48
Core Plus Fixed Income	28	2.04
Credit Opportunities	5	3.63
TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	-0.71
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Water Works will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Water Works' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Water Works' proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Water Works' proportionate share of the net pension liability	\$ 3,259,155	\$ 1,861,503	\$ 681,782

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS website at www.ipers.org.

Payable to the Pension Plan - At December 31, 2015, the Water Works reported payables to the defined benefit pension plan of \$-0- for legally required employer contributions and \$-0- for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The Water Works sponsors a single-employer health care plan that provides certain postretirement health care benefits for retirees and their spouses. There are 34 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with insurance premiums paid to the City of West Des Moines who self insures to their selected stop loss limits and buys stop loss insurance from a third party. The plan is administered by Wellmark.

Retirees under age 65 pay 102% of the full active employee premium rates, which results in an implicit subsidy and an OPEB liability.

Funding Policy: The contribution requirements of plan members are established and may be amended by the Water Works. The Water Works currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation: The Water Works' annual OPEB cost is calculated based on the annual required contribution (ARC) of the Water Works, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Water Works' annual OPEB cost for the year ended December 31, 2015, 2014 and 2013, the amount actually contributed to the plan and changes in the Water Works' net OPEB obligation:

	2015	2014	2013
Annual Required Contribution (ARC)	\$ 40,969	\$ 37,852	\$ 43,269
Interest on net OPEB obligation	5,234	4,382	3,369
Adjustment to annual required contribution	(11,021)	(8,171)	(6,097)
Annual OPEB cost	<u>\$ 35,182</u>	<u>\$ 34,063</u>	<u>\$ 40,541</u>
Annual OPEB Cost	\$ 35,182	\$ 34,063	\$ 40,541
Contributions made	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net OPEB obligation	35,182	34,063	40,541
Net OPEB obligation beginning of year	<u>209,354</u>	<u>175,291</u>	<u>134,750</u>
Net OPEB obligation end of year	<u><u>\$ 244,536</u></u>	<u><u>\$ 209,354</u></u>	<u><u>\$ 175,291</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as January 1, 2014. The end of the year Net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended December 31, 2015.

For the year ended December 31, 2015, the Water Works contributed \$-0- to the medical plan. Plan members eligible for benefits contributed \$-0- of the premium costs. No West Des Moines Water Works retirees are currently in the retirement benefit plan.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

The Water Works's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of December 31, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$40,541	0%	\$175,291
December 31, 2014	\$34,063	0%	\$209,354
December 31, 2015	\$35,182	0%	\$244,536

Funded Status and Funding Progress: As of January 1, 2014, the most recent actuarial valuation date for the period January 1, 2014 through December 31, 2016, the actuarial accrued liability was \$341,729, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$341,729 at December 31, 2015, and \$347,561 at December 31, 2014. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,660,582, \$2,663,673 and \$2,552,806 and the ratio of the UAAL to covered payroll was 12.8%, 13.0% and 13.9% for 2015, 2014 and 2013, respectively. As of December 31, 2015 there were no trust fund assets.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the January 1, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the Water Works' funding policy. The health cost trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were developed by the actuary, as listed in Appendix B of the Actuary Report.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 8 - COMPENSATED ABSENCES

The West Des Moines Water Works' employees accumulate vacation benefits for subsequent use or payable on termination, death or retirement. These accumulations are recorded as liabilities and expenses in the year earned.

West Des Moines Water Works allows employees to accrue up to 720 hours of sick leave to be paid upon retirement. The employee must be at least 55 years of age before they can retire. Retirement prior to the age of 62 is based on the IPERS retirement rules. Sick leave payable is recorded as a liability when retirement is probable and subject to estimation. Accordingly, as of December 31, 2015 current liabilities of \$27,254 and long term liabilities of \$207,145 have been recorded for accrued sick leave.

NOTE 9 - DEFERRED COMPENSATION PLAN

West Des Moines Water Works offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Water Works full time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency and participation is optional. The plan was amended to comply with IRC Section 457(g) which allowed for the plan to hold the assets in trust. Under these requirements, the assets of the plan are not subject to the claims of the governmental employer's creditors. Accordingly, the liability and corresponding investment are not reflected in the Water Works' financial statements.

On January 1, 2012 West Des Moines Water Works became a participating employer in the State of Iowa Retirement Investors' Club (RIC) 457/401a Program. The State of Iowa administers this deferred compensation program, and currently has four deferred compensation providers to choose from. All of West Des Moines Water Works' full time employees are eligible to participate in this program.

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS

On May 14, 2001 the Water Works approved the first amendment to intergovernmental agreement for the joint occupation of municipal offices (Chapter 28E of the Code of Iowa) with the City of West Des Moines for joint occupancy in a new City Hall facility. The West Des Moines Water Works' total cost is \$546,761, of which \$546,761 has been paid.

On May 14, 1993 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines and the Park Board of Commissioners of the West Des Moines Parks and Recreation Department. Under the agreement, they jointly developed a parcel of land (58 acres) owned by the City to provide recreation resources and water resources for residents. The Water Works constructed eight shallow wells and one deep well on the site. The Water Works has paid the City \$450,000 for the use of the land. This agreement is for ninety-nine years and expires on May 14, 2092.

On April 17, 2001 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) creating the Central Iowa Regional Drinking Water Commission Master Agreement. The purposes of this agreement are to (1) enable the Parties to jointly plan and coordinate implementation for water supply, treatment, distribution and storage facilities for the benefit of the Parties and their respective customers, to (2) enable the Parties to jointly provide services in a cost-effective manner to each other and to (3) enable the Parties to undertake joint or coordinated procurement of goods and services. The Commission is governed by a Board of Directors

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS - CONTINUED

consisting of one representative of each of the Parties. On October 18, 2011 an amended and restated 28E Agreement with the Central Iowa Regional Drinking Water Commission (CIRDWC) was adopted. The changes include adding source water issues as a purpose of CIRDWC, distinguishing between Governing Members and Non-Governing Members, and establishing dues at a rate of \$100 plus one cent per Member retail account.

On November 20, 2003 the Water Works entered into an Agreement for Shared Use of Water Tower Capacity (this is not a 28E agreement) with the City of Clive, the City of Waukee and the Des Moines Water Works. On November 1, 2005 that water tower was put into service. The cities of Clive and Waukee paid 40% and 20% respectively, of the total project cost to West Des Moines Water Works for shared capacity of the water tower. The water tower is recorded at cost on West Des Moines Water Works' fixed asset schedule, and the payments made by Clive and Waukee are recorded as an unearned revenue deferred inflow of resources to be recognized over the 50 year life of the water tower. This agreement will remain in effect through the useful life of the water tower plus one year. A shared water tower fund has been created into which Clive, Waukee and West Des Moines Water Works contribute annually for property insurance and future painting of the tower.

On May 15, 2015 Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines and the Board of Water Works Trustees of City of Des Moines. The agreement details the responsibilities for design, construction, maintenance and operation of an Aquifer Storage and Recovery well and supporting infrastructure to serve current and future development within the South Area of West Des Moines. This agreement shall terminate on March 31, 2045, the termination date of the Wholesale Water Service Master Agreement. If the term of the Wholesale Water Service Master Agreement is at any time or from time to time extended beyond March 31, 2045, then the term of the Agreement shall be extended automatically. From June 15th through September 15th of each year when the ASR facility is presumed to be in production mode, it is understood that West Des Moines Works' consumption of up to 3.0 MGD in the South Pressure Zone will be considered a "Regional Capacity Credit" and as such, shall be excluded for purposes of calculating "Consumption Above Purchased Capacity" as defined in Section 18 and 19 of the Wholesale Water Service Master Agreement.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines for the placement of radio antenna and related equipment on/in water towers in West Des Moines. The term of this agreement shall be for a period of ten years. The annual charge to the City for locating and operating transmitting and receiving equipment on a tower shall be one dollar per year payable in advance on the first business day of each year.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the code of Iowa) with the City of West Des Moines to provide the city with water at no cost to the City for city-owned public buildings, facilities and landscaped medians. Unless otherwise extended or amended by mutual written agreement of the parties, this Agreement will expire ten years from July 20, 2009. The retail value of water provided to the City in 2015 was \$80,124.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines for the sharing of fiber optic and computer related technologies for the betterment for the services provided by the public by each entity. The purpose of the Agreement is for the City of West Des Moines to provide West Des Moines Water Works with internet connectivity and land-line phone services. Unless otherwise extended or amended by mutual written agreement of the parties, this Agreement will

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS - CONTINUED

expire ten years from July 20, 2009. For the 2015-16 fiscal year of the City of West Des Moines, the Water Works paid the City a fee of \$12,000. Further adjustments to the fee may occur if annual maintenance agreements with third-parties change due to upgrades within the system. Notification of such an adjustment will be provided at least 30 days in advance of any fee adjustment and documentation of the change will be provided.

NOTE 11 - RELATED ORGANIZATION

The West Des Moines Water Works uses services of the City of West Des Moines and also provides billing and collection services to the City in connection with the City's Sewer, Solid Waste, and Stormwater Management Enterprise Funds. The following is a summary of the related party cash transactions for the year ended December 31, 2015 and 2014:

	Amount 2015	Amount 2014
Received from the City of West Des Moines		
Miscellaneous	\$ 525	\$ 2,482
Sanitary sewer service collection fees	51,683	50,481
Solid waste service collection fees	47,436	46,957
Stormwater service collection fees	72,712	70,946
Payments to the City of West Des Moines		
Sanitary sewer service	\$ 8,882,470	\$ 8,653,765
Solid waste service	1,811,554	1,791,801
Sewer availability fee	734,932	693,551
City capital fee	10,234	25,759
Stormwater services	2,235,459	2,182,378
Health and dental insurance premiums	448,887	484,789
General insurance premiums	128,741	132,914
Gasoline	21,469	45,741
Utilities	11,702	12,679
Miscellaneous	3,545	5,302
Donations collected	6,697	6,140
Janitorial services	10,999	13,402
Information services	12,000	12,000
West Des Moines Magazine and City Survey	4,500	1,500
Economic development	50,000	50,000
Alluvion Project	1,500,000	-
Amounts payable to the City of West Des Moines		
Sanitary sewer charges	\$ 2,179,447	\$ 2,117,586
Sewer availability fees	190,514	180,635
City capital fees	-	6,158
Stormwater management fees	557,970	550,003
Solid waste charges	456,874	451,390
Donations to Human Services	650	775

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 12 - RISK MANAGEMENT

The Water Works, through the City of West Des Moines, is a member of the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 740 members include various governmental entities throughout the state of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Water Works' property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Water Works' contributions to the Pool for the year ended December 31, 2015 were \$36,011.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Water Works' risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Water Works' risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 12 - RISK MANAGEMENT - CONTINUED

The Water Works does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at December 31, 2015, no liability has been recorded in the Water Works' financial statements. As of December 31, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Water Works also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, and employee blanket bonds. The Water Works assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 - TOWER LEASE AGREEMENTS

The Water Works has entered into agreements with I Wireless, United States Cellular Wireless Communications, Sprint/Nextel, Capital Communications Co. Inc. (WOI-TV), AT & T Wireless, Verizon Wireless, the City of Des Moines and the City of Waukee for the rental of space on four elevated water storage facilities located in the City of West Des Moines. The agreements are for a period of five years with renewal options of five additional five-year terms. The agreements with I Wireless (50th St Tower), U.S. Cellular, Sprint/Nextel, WOI-TV and AT & T are in their fourth, five-year contract. Verizon is in their third, five-year contract. The City of Des Moines is in their second, five-year contract and the City of Waukee and I Wireless (88th St Tower) are in their first, five-year contract.

Future minimum rents under these leases at December 31, 2015 are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$157,473
2017	161,924
2018	170,270
2019	172,283
2020	175,119

Total rental income for 2015 was \$141,990.

NOTE 14 - UNION AGREEMENT

The West Des Moines Water Works entered into an agreement as of January 1, 2013 with the American Federation of State, County and Municipal Employees Council 61 and Local 3673-15 (AFL-CIO). This agreement remained in full force and effect through December 31, 2014. This agreement covers the period from January 1, 2013 through December 31, 2014.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 14 - UNION AGREEMENT - CONTINUED

The West Des Moines Water Works entered into an agreement as of January 1, 2015 with the American Federation of State, County and Municipal Employees Council 61 and Local 3673-15 (AFL-CIO). This agreement covers the period from January 1, 2015 through December 31, 2017.

NOTE 15 - ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB No.27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. Beginning net position for business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position December 31, 2014 as previously reported	\$ 64,014,124
Net pension liability at December 31, 2014	(1,561,119)
Deferred outflows of resources related to pensions	200,662
Deferred inflows of resources related to pensions	<u>(607,835)</u>
Net position December 31, 2014, as restated	<u>\$ 62,045,832</u>

NOTE 16 - COMMITMENTS

The West Des Moines Water Works has entered into construction contracts totaling \$3,302,573 at December 31, 2015 and \$2,696,179 at December 31, 2014 for various capital projects. There were \$253,916 and \$1,706,940 of uncompleted contracts at December 31, 2015 and 2014 respectively.

On January 4, 2012 the EPA awarded a new grant to the Water Works to continue with the monitoring and administration of the aerators. The grant was completed December 31, 2015, and the entire budget of \$249,872 was spent.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2015 and 2014

NOTE 17 - SUBSEQUENT EVENTS

On February 16, 2016 A Resolution Instituting Proceedings to Take Additional Action for the Authorization of a Loan and Disbursement Agreement and the Issuance of Not to Exceed \$8,500,000 Water Revenue Capital Loan Notes was adopted. On April 15, 2016 West Des Moines Water Works committed to a State Revolving Fund Loan with the Iowa Finance Authority in the amount of up to \$847,000 for the planning and design for water system improvements. This planning and design loan is at an interest rate of 0.00%, with Maturity at 4/15/2019. As of 4/23/2016 West Des Moines Water Works has received \$11,688 from the Iowa Finance Authority in loan disbursements. Construction on improvements, which include a new deep well will not begin until year-end 2016.

The Water Works has evaluated all subsequent events through June 1, 2016, the date the financial statements were available.

REQUIRED SUPPLEMENTARY INFORMATION

WEST DES MOINES WATER WORKS

BUDGETARY COMPARISON OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ACTUAL TO BUDGET

Year ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
TOTAL REVENUES	\$ 12,594,920	\$ 13,504,576	\$ (909,656)
TOTAL EXPENSES	<u>10,522,120</u>	<u>11,463,319</u>	<u>941,199</u>
NET	2,072,800	2,041,257	<u>\$ 31,543</u>
NET POSITION BEGINNING OF YEAR	<u>62,045,832</u>	<u>63,566,867</u>	
NET POSITION END OF YEAR	<u>\$ 64,118,632</u>	<u>\$ 65,608,124</u>	

See accompanying independent auditor's report.

WEST DES MOINES WATER WORKS

NOTE TO BUDGETARY REPORTING

December 31, 2015

In accordance with the Code of Iowa, the Water Works' Board of Trustees adopts a budget on the accrual basis consistent with U.S. generally accepted accounting principles following required public notice and hearing. The formal and legal level of control is at the total expense level. The Board of Trustees reviews the proposed budget and grants final approval. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

In 2015 there were no budget amendments and disbursements did not exceed the amount budgeted.

WEST DES MOINES WATER WORKS

SCHEDULE OF WATER WORKS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Iowa Public Employees' Retirement System
Last 2 Fiscal Years*

Required Supplementary Information

	<u>2015</u>	<u>2014</u>
Water Works' proportion of the net pension liability	0.0376786%	0.0393635%
Water Works' proportionate share of the net pension liability	\$ 1,861,053	\$ 1,561,119
Water Works' covered-employee payroll	\$ 2,558,217	\$ 2,602,820
Water Works' proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.77%	59.98%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

WEST DES MOINES WATER WORKS

SCHEDULE OF WATER WORKS' CONTRIBUTIONS

Iowa Public Employees' Retirement System
Last 10 Calendar Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 228,449	\$ 232,431	\$ 220,607	\$ 217,361
Contributions in relation to the statutorily required contribution	<u>(228,449)</u>	<u>(232,431)</u>	<u>(220,607)</u>	<u>(217,361)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Water Works' covered-employee payroll	\$ 2,558,217	\$ 2,602,820	\$ 2,506,754	\$ 2,599,482
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.80%	8.36%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 193,853	\$ 172,667	\$ 158,571	\$ 138,642	\$ 124,499	\$ 111,200
<u>(193,853)</u>	<u>(172,667)</u>	<u>(158,571)</u>	<u>(138,642)</u>	<u>(124,499)</u>	<u>(111,200)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,566,242	\$ 2,534,032	\$ 2,436,337	\$ 2,235,572	\$ 2,109,450	\$ 1,933,911
7.55%	6.81%	6.51%	6.20%	5.90%	5.75%

WEST DES MOINES WATER WORKS

Notes to Required Supplementary Information - Pension Liability

Years ended December 31, 2015 and 2014

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

WEST DES MOINES WATER WORKS

Notes to Required Supplementary Information - Pension Liability - Continued

Years ended December 31, 2015 and 2014

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

WEST DES MOINES WATER WORKS

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

Required Supplementary Information

December 31, 2015

Year End	Actuarial Valuation Date	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2013	Jan 1, 2014	0	\$354,224	\$354,224	0%	\$2,552,806	13.9%
2014	Jan 1, 2014	0	\$347,561	\$347,561	0%	\$2,663,673	13.0%
2015	Jan 1, 2014	0	\$341,729	\$341,729	0%	\$2,660,582	12.8%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES

Year ended December 31, 2015

Series 2012 Water Revenue Bonds: Series 2012 Water Revenue Bonds were issued under Resolutions adopted by the Board of Trustees.

The 2012 Bonds were issued to refund all of the Water Works' outstanding Water Revenue Bonds Series 2004 (the "Refunded Bonds"), and to finance a pumping station and water mains to supply water to the south area of West Des Moines, as well as water main extensions to the west side of West Des Moines.

The proceeds of the original Bonds were used to finance certain capital improvements to the System (the "Project") and to pay costs of issuing the Bonds. The Project included: (i) the construction and/or purchase of water supply and distribution facilities and the land for such facilities, (ii) the construction of additional water treatment capacity, (iii) the construction facilities for handling water treatment plant residues, (iv) improvements to the electrical distribution system of the water treatment plant, (v) improvements to the electronic control system of the Water Works and (vi) construction of new and replacement water mains (See Note 4).

The following is a summary of the debt obligations of the West Des Moines Water Works:

<u>Maturing December 1</u>	<u>West Des Moines Water Works</u>	
	<u>Series 2012 Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 740,000	\$ 166,200
2017	25,000	144,000
2018	25,000	143,250
2019	750,000	142,500
2020	1,000,000	120,000
2021	1,000,000	90,000
2022	1,000,000	60,000
2023	1,000,000	30,000
	<u>\$ 5,540,000</u>	<u>\$ 895,950</u>

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2015

Series 2013 Water Revenue Bonds: Series 2013 Water Revenue Bonds were issued under Resolutions adopted by the Board of Trustees.

The 2013 bonds were issued to refund all of the Water Works' outstanding Water Revenue Bonds Series 2007 (the "Refunded Bonds"), and to finance a pumping station upgrade and water mains on the west side of West Des Moines.

The proceeds of the original Bonds were used to finance certain capital improvements to the System (the "Project") and to pay costs of issuing the Series 2007 Bonds. The Project included: (i) upgrades to the Water Works' water treatment plant and water storage facilities and (ii) construction of a new pumping station.

The following is a summary of the debt obligations of the West Des Moines Water Works:

<u>Maturing December 1</u>	<u>West Des Moines Water Works</u>	
	<u>Series 2013 Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 415,000	\$ 97,450
2017	1,400,000	91,225
2018	1,780,000	70,225
2019	770,000	43,525
2020	600,000	28,125
2021	675,000	15,525
	<u>\$ 5,640,000</u>	<u>\$ 346,075</u>

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2015

Proportionate share of Series 2011 Water Revenue Refunding Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per Water Treatment Plant Purchased Capacity Master Agreement dated July 23, 1996 (See Note 4).

The following is a summary of the debt obligations to the Des Moines Water Works:

<u>Maturing December 1</u>	<u>Des Moines Water Works</u>	
	<u>Series 2011 Water Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 703,584	\$ 33,351
2017	408,122	12,243
	<u>\$ 1,111,706</u>	<u>\$ 45,594</u>

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2015

Proportionate share of Series 2012 Water Revenue Refunding Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per the Wholesale Water Service Master Agreement signed June 13, 2005 (See Note 4).

<u>Maturing December 1</u>	<u>Des Moines Water Works</u>	
	<u>Series 2012 Water Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 225,250	\$ 76,544
2017	239,426	69,786
2018	248,718	62,604
2019	257,003	55,142
2020	266,782	47,432
2021	274,757	39,429
2022	278,106	31,186
2023	286,595	22,843
2024	294,823	14,245
2025	180,005	5,400
	<u>\$ 2,551,465</u>	<u>\$ 424,611</u>

STATISTICAL SECTION (UNAUDITED)

WEST DES MOINES WATER WORKS

SCHEDULE OF WATER USAGE BY MONTH

Year ended December 31, 2015

(UNAUDITED)

<u>Month</u>	<u>Accounts with Water Service</u>	<u>Dollar Amount of Water Billings</u>	<u>Gallons of Water Billed</u>	<u>Gallons of Water Pumped</u>
January	24,085	\$ 728,202	160,142,391	164,460,000
February	24,149	548,835	120,604,438	149,180,000
March	24,188	541,154	119,110,743	167,395,000
April	24,206	727,882	159,533,682	174,305,000
May	24,262	702,781	152,791,450	193,726,000
June	24,296	695,667	152,068,746	211,018,000
July	24,345	1,089,196	235,308,393	253,266,000
August	24,395	1,017,694	217,849,578	270,649,000
September	24,440	940,824	202,567,490	233,019,000
October	24,475	949,825	204,832,472	206,045,000
November	24,489	570,438	125,344,616	162,565,000
December	24,534	<u>539,863</u>	<u>118,307,659</u>	<u>161,960,000</u>
		\$ 9,052,361	1,968,461,658	2,347,588,000
ADD:				
Metered water for City (\$0.00)		-	16,515,880	-
Other non-billed water/non-pumped water		<u>-</u>	<u>12,874,604</u>	<u>-</u>
Totals		<u>\$ 9,052,361</u>	<u>1,997,852,142</u>	<u>2,347,588,000</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
West Des Moines Water Works

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Des Moines Water Works, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise West Des Moines Water Works' basic financial statements, and have issued our report thereon dated June 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Des Moines Water Works' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Works' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the West Des Moines Water Works' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Des Moines Water Works' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Water Works' operations for the year ended December 31, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water Works. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the West Des Moines Water Works' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the West Des Moines Water Works' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the West Des Moines Water Works during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
June 1, 2016

WEST DES MOINES WATER WORKS

SCHEDULE OF FINDINGS

Year ended December 31, 2015

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (1) An unmodified opinion was issued on the financial statements.
- (2) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (3) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- (1) Certified Budget - Disbursements during the year ended December 31, 2015, did not exceed the amount budgeted.
- (2) Questionable Expenditures - We noted no expenditures that we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (3) Travel Expenses - No disbursements of West Des Moines Water Works' money for travel expenses of spouses of West Des Moines Water Works' officials or employees were noted.
- (4) Business Transactions - No business transactions between the West Des Moines Water Works and West Des Moines Water Works' officials or employees were noted.
- (5) Bond Coverage - Surety Bond coverage of West Des Moines Water Works' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure coverage is adequate for current operations.
- (6) Board of Trustees Minutes - No transactions were found that we believe should have been approved in the trustee minutes but were not.
- (7) Deposits and Investments - The West Des Moines Water Works has adopted a written investment policy as required by Chapter 128.10B of the Code of Iowa.
- (8) Revenue Bonds - The Water Works has established the sinking and reserve accounts as required by the water revenue bond resolutions.